

**MID TERM EVALUATION OF THE ZAMBIA AGRIBUSINESS TECHNICAL
ASSISTANCE CENTRE (ZATAC)**

Prepared by

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List Of Acronyms

ASAZ	Agricultural Science Association of Zambia
CFU	Conservation Farming Unit
CLUSA	Cooperative League of United States of America
DAI	Development Alternatives Incorporated
DVO	District Veterinary Officer
FY	Financial Year
GRZ	Government of the Republic of Zambia
IDE	International Development Enterprises
IOA	Indicators Of Achievement
IR	Immediate Result
JIC	Joint Industrial Council
JICA	Japanese International Cooperation Agency
LINTCO	Lint Company
M&E	Monitoring and Evaluation
MPU	Micro-Projects Unit
NGOs	Non Governmental Organizations
NORAD	Norwegian Agency for Development
NTEs	Non Traditional Exports
NUPAW	National Union of Plantations and Agricultural Workers
PAM	Programme Against Malnutrition
PME	Planning, Monitoring and Evaluation
PRA	Participatory Rural Appraisal
RNFES	Rural-Non-Farm Enterprises
SO1	Strategic Objective 1
SPSS	Statistical Package for Social Sciences
USA	United States of America
USAID	United States Agency for International Development
VAT	Value Added Tax
WRP	Warehouse Receipt Programme
ZACA	Zambia Agricultural Commodities Agency
ZAHVAC	Zambia Association of High Value Crops
ZATAC	Zambia Agribusiness Technical Assistance Center
ZCGA	Zambia Coffee Growers Association
ZFEA	Zambia Farm Employers Association
ZIC	Zambia Investment Center
ZIF	ZATAC Investment Fund
ZRA	Zambia Revenue Authority

Executive Summary

This report presents the findings of a Mid-term review of the USAID funded ZATAC Project. The purpose of the Mid-term Evaluation of the ZATAC Project was to determine the (1) efforts made in form of activities to realize the project objectives, (2) effect in terms of extent to which interventions improved the identified gaps and; (3) change in form of evidence available that impacted positively or negatively on the intervention targets.

The mid-term review had the following objectives:

- » To determine the extent to which the Development Alternatives Incorporated (DAI) implemented Zambia Agribusiness Technical Assistance Centre (ZATAC), which was established to provide business development services to agribusinesses that work with smallholder farmers has had or is having a beneficial impact;
- » To identify the key elements of success of the centre that can be replicated to improve ongoing or future investments and interventions on the part of USAID and;
- » To provide remedies or reorientation of the operations of the Centre if ZATAC does is not achieving the intended goals.

In order to have a comprehensive review or assessment of the Project, the study used PRA methods. The study focused on the following issues or thematic areas in the data collection and analysis:

- (a) Project Management and Administration
- (b) Establishment of Linkages to Financial and Business Institutions
- (c) ZATAC Partners and Collaborators
- (d) Policy Advocacy
- (e) Market and Demand Analysis
- (f) Skills Development and Information Dissemination
- (g) Market Development and Expansion
- (h) Project Sustainability

The following are the main findings of the mid-term review:

1. Project Management and Administration

- The ZATAC's effort were directed towards setting up of the project office with six highly experienced, qualified and technically sound US and Zambian professional staff and together these professionals were expected to build a sustainable ZATAC and achieve the objectives of the project. The DAI was responsible for project management and administration of the project.

- By and large, the ZATAC has managed to meet most of the targets envisaged in the work plan from year one to year three of the project life. Remarkable achievement has been registered in establishment of a Zambian-led and managed private, non-profit firm, the ZATAC Ltd. Other achievements include the operationalisation of the Monitoring and Evaluation system including the commissioning of the baseline study; establishment of the ZATAC Investment Fund (ZIF) and effective partner collaboration - linkages have been established with other development agencies such as JICA and NORAD.

- However, this review noted that the baseline study was not as focused and useful as it should have been to ZATAC's developmental objectives. The baseline study did not provide any meaningful data/information about the capacity (both in terms of skills and ability) of the smallholder farmers to participate gainfully in the ZIF projects.

- It was also found that there are serious indications that there were gaps in the ZATAC management monitoring process. This is largely because ZATAC's M&E was 'apex-oriented' and left the field level activity monitoring to its collaborative partners. However, this review study found that the ZATAC management have already taken note of these hiccups in the project and have since commenced sourcing funds from other donors/partners that will enable ZATAC register its presence at activity level by employing its own personnel to subsequently strengthen its M&E capacity.

- The target of adding 120,000 more RNFE beneficiaries is achievable but it is not certain as to whether the target will eventually be met. This is because some of the smallholder farmers who were mobilized in the various projects had low capacity to participate and thus found it difficult to continue. However, with the new strategy by ZATAC management of intensifying capacity building programs through training and field days, the target would certainly be achieved.

The performance indicator of increasing the net income per RNFE member to US\$271 per annum is being met (mainly by ZATAC's flag carrier projects of smallholder vegetable export and milk collection center programs). However, the performance indicator with a target of increasing the NTEs to US\$450 million annually has not been achieved and it also difficult to ascertain ZATAC's direct or indirect influence on this.

2. Establishment of Linkages to Financial and Business Institutions

- ZATAC has put in a lot of programs and activities in its effort to link the RNFEs and smallholder farmers to financial institutions. ZATAC has also been promoting joint ventures with other partners in finance, most notably in conjunction with the Embassy of Japan. ZATAC has promoted joint ventures intended to reduce risk of lending money and also to bring in as many relevant investors/stakeholders as possible into the agribusiness sub sector to make agribusiness projects sustainable. To this end, ZATAC has identified 72 joint venture partnerships compared to its 5-year target of 48. This is a 160% achievement rate. ZATAC has also been mandated to provide financial intermediation services to improve RNFE access to credit and manage two risk-reducing funds. One is a Special Purpose Financing Vehicle (\$400,000) to leverage funding for natural resource RNFEs, and the other is a Matching Grant Fund (\$100,000) to foster innovation in RNFE technology, market development, and service delivery. In line with increasing non-traditional export (NTEs) an additional \$600,000 to the SPFV was specifically earmarked for the "smallholder export vegetables cooperative" project. This amount is being used to provide loans for the smallholders to acquire irrigation equipment for growing export vegetables. ZATAC is working with AGRFLORA Ltd in this smallholder export vegetables cooperative project.

- The intended beneficiaries are indeed utilizing the financial linkages. The impact on the smallholder as a result of access to credit is evident. Statistics from the interviews conducted by the Evaluation team shows that access to credit has improved for the ZATAC project participants. Only 3% of the participants had access to any form of credit before the ZATAC projects. This figure jumped to 72% of

participants that now have access to credit since introduction of the projects. The credit is primarily in form of inputs like seed, fertilizer and irrigation equipment.

- The majority (about 75%) of the loan recipients are male. This however does not mean that the females have not benefited. The study found out that families (man, wife and children) worked together on the farm and thus benefits accrued to the entire family. The males got the loans on account of being household heads. Females that were in charge of households also had access to the loans. The overall benefits include easier access to markets for their produce and increased incomes for the households. The review mission noted that even if there is no spelled out gender policy, the ZATAC project has encouraged equal opportunity for women and men to access markets, loans and training. Furthermore, ZATAC also encourages the cooperatives (RNFEs) to register members' spouses (wives) so that women can fully participate in cooperative meetings and trainings. In Katuba, ZATAC is currently enforcing a minimum female representation policy in most of its training programs.

- The major change in the behavior of the RNFEs as a result of having access to credit is that they now own infrastructure/facilities. The Kazungula Cooperative Society has a Milk Collection Center worth more than US\$40,000. The smallholder farmers that are members of this Cooperative easily sell their milk to the center and are assured of a market. The Buteko Cooperative, as an RNFE, has a new storage shade that has cooling facilities for the vegetables that the farmers produce. The Buteko storage facility has enabled the cooperative members to reduce on the amount of vegetables wasted when AGRIFLORA delays in picking up the produce.

3. ZATAC Partners and Collaborators

- ZATAC has managed to establish linkages with various partners and collaborators. The partners work with ZATAC in primarily three areas: Technical, Commercial and Financial. The technical partners are key to the success of ZATAC's projects as they impart the basic skills and supply equipment to the smallholders and RNFEs. These partners will help the smallholder farmer produce to a profitable level, as these farmers still lack the basics in farm/business management. The financial partners provide credit or financial resources to the smallholder farmers and the RNFEs in order to increase their productivity. The commercial partners buy produce from the smallholder farmers and thus contribute directly to their increased incomes. The commercial partners have a critical role to play in the success of the projects and thus ZATAC would do well to work with commercial partners that are willing to pay a competitive price for the products.

- The major concerns expressed by the smallholder farmers from the projects that were visited in the study were mainly with reference to the technical and commercial services. Almost all (95%) of the smallholders interviewed were not satisfied with the services provided by the technical and commercial collaborators. The spraying to control diseases and pests has not been done consistently and effectively by AGRIFLORA, resulting in estimated losses of up to 30% of crop yield. BIOPEST, ZATAC's partner in Katuba area, which provides fertilizer and seed input for growing of Paprika has also not met the farmers' expectations as it has failed to avail fertilizer in sufficient quantities on time and has failed to effectively control disease and pests.

- ZATAC's technical partners in providing irrigation equipment IDE and AMIRAN have generally been popular with the smallholder beneficiaries, especially with the treadle pumps. The only problem that the farmers cited was that the equipment was expensive and it will take them beyond the agreed loan repayment period to service

their loans. This has also been exacerbated by the fact that the farmers are not getting in the projected cash flows from their production due to the problems of low prices and late payment of money.

- A strategic partner in ZATAC's activities that has not been fully involved is the GRZ, specifically, the Departments of Extension and Veterinary/Animal health. The review noted that the Veterinary Department was not fully consulted in the Kazungula Milk Collection Project and this led to the failure to combat the outbreak of Foot and Mouth disease in the area during the course of project implementation. The DVO was not officially consulted during the baseline study and only knew of the project informally through a colleague at CARE. The project is now making efforts to link with the DVO. For instance, a Memorandum of Understanding was recently signed with the Ministry of Agriculture and Cooperatives by the District Veterinary Officer to incorporate the Ministry in project activities. The Government has since carried out vaccinations to help prevent Foot and Mouth Disease in Kazungula.

- During the review mission, the ZATAC project beneficiaries suggested that for improvement of service delivery and smooth implementation of the projects, there was need for ZATAC to partner with institutions that can work with the community and the government to improve infrastructure like roads. A good partner for this activity would be the Rural Investment Fund (RIF) of the Agricultural Sector investment Programme (ASIP). The communities also felt that organizations like Prevention Against Malnutrition (PAM) and The Micro-Projects Unit (MPU) could work together with ZATAC to achieve these objectives.

4. Policy Advocacy

- The policy advocacy dialogues initiated by ZATAC have also been very successful. Examples of this include the formation of the Zambia Commodity Association Agency and the lobbying done to include lime in the GRZ agricultural input packages. However, from the ZATAC reports, it was apparent that a significant number of policy discussions mainly involved government technocrats and well established businesspersons. It would be more appropriate if more rural stakeholders like smallholder farmers were involved in policy initiatives so that they can influence policy areas that directly impact them. This works well as the case was when ZATAC held the Lime workshop/seminar

5. Policy Constraints

- A significant policy constraint to ZATAC's program implementation has been the lack of clarity in government's agricultural and industrial policies. For example, even though the government encourages a free market economy, its distribution of subsidized inputs like fertilizer in certain seasons distorts the rural private-sector economy. This has limited the number of investors in the agribusiness sub-sector who could buy produce from and sell inputs to smallholder farmers.

- A lack of consistent policy on tariff and tax regimes (e.g. VAT) has resulted in agribusinesses facing unfair competition from imported products and at the same time being heavily taxed by the government. This clearly discourages more investment in the agribusiness sector that can promote and work with RNFEs.

- The lack of commitment to quality and standards enforcement by both the public and private sector has been a major constraint to expanding agricultural exports. The

smallholders who are in the AGRIFLORA outgrower scheme are a notable example. A significant percentage of their produce is rejected due to poor quality. While this is not entirely caused by them, it shows how both the producer and the local buyer neglect quality in production.

6. Skills Development and Information Dissemination

- Based on the review of ZATAC quarterly and annual reports, it is clear that the skills development and dissemination workshops conducted so far are over and above the targeted outputs. At the end of the 3rd Financial Year, projected output had been exceeded by over 400%.

- The topics covered in these training sessions have been broad, ranging from basic business management skills to more complex issues in finance and marketing. Both RNFEs and RNFE members have been involved in these training programs. The current records show that an estimated number of about 1,200 people have undergone training in the various workshops/seminars delivered.

- The other important training issue that has been provided by ZATAC has been on HIV/AIDS awareness. Several hundreds of ZATAC beneficiaries have attended these. However, more seminars on HIV/AIDS need to be held so that the target beneficiaries can be sensitized. This is especially critical in view of the fact that about 75% of ZATAC beneficiaries are in the age group 15 to 49 years, which is the most vulnerable to the disease. This thematic area is very cardinal in the remaining years of the project. This is because if necessary skills are not imparted in the targeted beneficiaries then the whole concept of sustainability of ZATAC as a project and ZATAC Ltd in years to come will be threatened.

- The review mission conducted interviews with RNFE members to determine their perceptions on the training conducted by ZATAC. From the random sample interviewed, only 54% attended any kind of training course. The majority (28%) of those that attended these training courses went to more than two of these courses.

7. Market Demand and Analysis

- ZATAC made important strides in achieving project goals remaining vigilant to its goal of increasing outreach as far as possible to smallholder farmers with the commitment to pursue those activities that benefit small holders and help raise their income.

- The market assessments done at the start of the year concentrated on products like sunflower, groundnuts, soybeans and cottonseed. These crops are grown mostly by rural small-scale farmers and supplied to oil processing companies like Amanita. ZATAC has since moved its focus to also include market assessments for products with increasing demand and windows of opportunity during periods of low supply. ZATAC has conducted such a study involving three large wholesale open city council markets of Lusaka and Livingstone.

8. Market Development and Expansion

- ZATAC's Market Development and Expansion activities are designed to help increase the marketability of Zambian products and create new joint venture partnerships between Zambian and foreign firms. Through development of trade and

investment contracts, this service area is expected to assist RNFEs strengthen their products positions regionally and internationally. The objective of this component is to help expand markets for Zambian products. ZATAC offers services in such areas as market entry and development strategies, production improvement, increase and improve market linkages, and increase investments to help improve RNFEs.

- The review mission noted that the targets set under this project component have not been fully met. Only 20% of the project life target has been met so far while the annual targets have not been achieved. This is a crucial component that ZATAC has to work on since the RNFE can only have a good business if their plan is good. Good plans will also assist the RNFEs to have easier access to finance. A crucial market development and expansion area that needs urgent attention from ZATAC is the provision of technical assistance to RNFEs on utilization of diversified crops. Most RNFEs have been having problems servicing their loans because they are not generating sufficient incomes from the main activity that they are involved in.

9. ZATAC Sustainability

- One of the key determinants for the sustainability of ZATAC is that it has to bring in sufficient financial resources from the services it renders without relying on outside funding. ZATAC has disbursed a total of \$375, 516.38 as at the end of its third financial year. Sixty-three percent of this loan disbursement was for the AGRIFLORA horticulture program. Over the same period, ZATAC has received \$54, 453.52 in form of principal repayments, interest and service charges. The ratio for this credit portfolio shows that for every \$1 that ZATAC has loaned out, it has received back 15 cents. The smallholders that have received the finance have certainly not been making sufficient returns on their investment to service their loans.

- The non-AGRIFLORA ZIF related loan disbursement totaled \$59,159.01 and \$20,005.42 has been repaid. These non-AGRIFLORA ZIF loans have mostly been one time loans for procurement of farming equipment like irrigation pumps or used to fund relatively smaller projects like the Kazungula milk collection center, Mongu cashew production, CLUSA-Chipata irrigation program and Shibuyunji. Such smaller projects have repaid 34% of the loans compared to the 13% repayment by AGRIFLORA. It would make good business sense and ensure sustainability for ZATAC to pursue funding of more such projects.

- Although the majority of smallholders (40%) participating in the ZATAC project have been farmers their entire lives, they have been involved in subsistence farming with little or no business skills. This has resulted in ZATAC having to spend a lot more resources in training these farmers to grow high value crops and manage their businesses profitably. It will therefore take a few more years before the majority of these smallholders attain a level where they can run their business well and be able to service their loans.

- The review mission noted that ZATAC's sustainability is not assured in the short term (next two to three years) primarily because it is not bringing in enough money to support all its activities. ZATAC will therefore continue to need donor funding until such a time that it can bring in sufficient returns to stand on its own. The major reason for its lack of sustainability at the moment is the poor debt servicing from the smallholders and insufficient funds from service charges from clients. The smallholders are not making enough money as they are currently learning new skills in their new businesses.

LESSONS LEARNED

The following are the main lessons learned so far in the implementation of the ZATAC project:

- Projects or intervention activities need to be mooted with a full consultation of the community that is being targeted for assistance. This will allow ownership by the communities so that sustainability after the project life span can be enhanced. Therefore, setting up enterprises that are demand driven and participatory in nature taking into account all socio-economic dimensions should become the main root of setting up new interventions.
- All members of the community and both genders should be considered as potential participants in ZATAC projects. In Zambia, the female gender is the most afflicted with deprivation of means of production like finances and equipment and yet they are the most reliable in returning what was borrowed. However, ZATAC has no deliberate policy on gender equity in its project implementation.
- When starting a project(s), it is important to put in place a very strong Monitoring and Evaluation System that can quickly detect the bottlenecks and be responsive to the changing needs. This will ensure that corrective measures are quickly put in place to avoid emergency measures that simply result in deterioration of the situation as was done with the Kazungula project where there was too much dependency on cooperating partners. Recent efforts by ZATAC to develop implementation and completion schedules for each project with specific targets and outputs to be used as benchmarks will be valuable in establishing an operational M&E system for the project.
- The setting-up of targets that will be used for measuring the success or failure of the programme to attain its objectives was a bit over ambitious. For instance, the capacity of the smallholders in the Kazungula Milk Project to fill up the 2,400 liters tank is questionable, now and in the short to medium term. A baseline study that was done before this project was implemented assumed this holding tank would serve as a catchment area for 3 to 4 other areas. This has not been realized yet. The farmers there have only been able to supply 190 liters of milk a day.
- The vegetable export project is critical in raising smallholder farmers' incomes quickly. The evaluation study found that the vegetable producers made \$396 per annum while the smallholders in the milk project raised \$288 per annum.
- A project that has a loan facility has a greater chance of being successful than one without, given the difficulties of accessing finance in Zambia. We learnt that ZATAC's success was mainly because of its loan facility.
- ZATAC has played a crucial role in deepening the understanding of the agribusiness concept in Zambia. Having come from a background of socialism, most smallholder farmers involved in the programme are now business oriented and they aim for a profit in their undertakings.

RECOMMENDATIONS

Based on the study findings, the following recommendations are proposed for consideration:

- The number of farmers involved in the ZATAC programme can be increased if ZATAC makes strategic linkages with developmental NGOs and private firms like PAM, ZNFU, ZAHVAC and LONRHO Cotton.
- ZATAC should expand its milk projects. The potential for increased milk production is very high. Milk collection centers can be established in suburban areas of Kabwe and in most Copperbelt towns. The increased milk production can also be targeted for export within the sub-region, especially the DRC.
- For ZATAC to have an impact on increased NTEs, it should form a strategic partnership and work closely with the Export Board of Zambia (EBZ). ZATAC cannot afford to work in a vacuum. The review mission noted that no such linkage existed between ZATAC and EBZ. EBZ is a crucial partner in exports issues in Zambia as they have conducted a lot of market analysis and baseline studies in products targeted for export.
- For the Kazungula project, it seems that CARE was a critical partner in terms of organizing the farmers and even implementing the project. Both ZATAC and USAID need to think carefully about how to fill the gap left by CARE. For example, in the Katuba project, when AGRIFLORA pulled out and they were quickly replaced by BIOPEST. ZATAC should similarly look for a new partner in this case.
- USAID should continue supporting ZATAC up to its close in 2004. Beyond 2004, it is recommended that USAID carefully consider an extension because ZATAC limited, whereas it is a good start, will not have attained sustainability.
- ZATAC needs to continue funding smaller to medium sized projects as their repayment record is better and risk can be reduced if the portfolio is spread over more projects. The fund should be utilized fully as at the time of evaluation less than half of the monies were disbursed.
- ZATAC Ltd needs to be more aggressive in finding new partners. It should NOT ride on the success of the ZATAC project. As a Zambian institution, it should go flat out and engage local, regional and international partners to help agribusiness investment in Zambia and thereby assume its sustainability.
- It was noted that some of the portfolios ZATAC went into were weak in terms of generating income for ZATAC. These include cashew and dried tomato projects. It is recommended that ZATAC should carefully review its **engagement procedures** in future in order to safeguard its investments. For instance, given ZATAC's interest in honey production, it would be prudent to use ZATAC's new engagement procedures before initiating the honey project and other activities. ZATAC needs to first consolidate its current projects and programs before starting any new ventures.

- The treadle pump oriented investments are of high returns and it is proposed that ZATAC should assess other geographical areas to see where else these pumps can be used in production of crops for both local and export markets.
- ZATAC started off well on the lime initiative and so they need to go further to assist lime companies with issues of marketing by linking them with potential buyers.

1.0 Introduction

For nearly over decade, the concept of agri-business through a structured partnership between the private sector and the smallholder organized farmer groups has become an important feature in the liberalized market environment. One of the prominent styles of collaboration has been the co-existence of the Agribusiness private companies/agencies and the smallholder farmers in an Out grower Scheme Arrangement.

1.1 ZATAC: A Historical Evolution

The concept of agribusiness in Zambia was first pioneered in the late 1970's by a government parastatal company called LINTCO, which was involved in production and marketing of cotton as a commodity in Mumbwa district of Central Province. In 1996, LINTCO was privatized and was taken over by another company called LONRHO. Records indicate that production has since then increased by 15-20% annually over the past 6 years. The Zambia Association of High Value Crops (ZAHVAC) established a similar arrangement in 1997, in which in the production of paprika was promoted.

Despite the long years of implementing Out-grower schemes in Zambia, there have been serious gaps in ensuring that there is genuine increase in the incomes of the rural households. This is because most of the agribusiness enterprises are tailor-made by the agribusiness companies giving no option to smallholder farmers. Advocating for setting up of agri-business enterprises that are demand driven and participatory in nature that could take into account all key important socio-economic dimensions became increasingly vital in order to establish sustainable agribusiness projects and subsequently attain increased rural household incomes.

It is against this realization that the United States Agency for International Development (USAID) and its collaborating partners found it provident to support a Zambian engineered initiative, the Zambia Agribusiness Technical Assistance Center (ZATAC), so as to bridge up the identified gaps and provide a remedy in this regard.

The ZATAC Project, which has a five-year lifespan, officially commenced its operations on 23rd August 1999 and is expected to conclude implementing its activities by 22nd August 2004. ZATAC is a self-sustaining institution with a mandate to articulate principles under which the project was founded. Some of these principles include continued provision of technical assistance to business organizations and institutions that support or work with rural smallholder farmers so that rural poverty and food insecurity problems are reduced among the rural population.

1.2 Objectives of ZATAC

The shared objective of USAID/Zambia's Strategic Objective number one (SO-1) support to ZATAC is increased sustainable rural incomes, which should be achieved through:

- (1) Fostering greater demand for smallholder farmer agricultural production and the goods and services of rural non-farm enterprises- RNFEs (the rural agribusiness entrepreneurs who either supply inputs to or purchase product from smallholder producers, including producers or non-agricultural natural resource-based goods) and;
- (2) Increased number of agribusinesses that buy output from and sell inputs to smallholder farmers.

1.2.1 Specific Objectives of ZATAC

The specific objective of ZATAC is to increase rural incomes in order to positively influence ongoing or future activities or investments through the provision of high quality technical assistance which is structured through five service areas which are: (1) market and demand analysis; (2) market development and expansion; (3) Skills development and information dissemination; (4) linkages to finance and; (5) policy advocacy.

1.2.2 Indicator of Achievement to ZATAC Objectives

The Indicator(s) Of Achievement (IOA) for ZATAC includes:

- 1) Adding one hundred and twenty thousand (120,000) smallholder farmers to the current number of smallholder farmers using productivity enhancing technologies.
- 2) Increasing the annual income of the rural non farm enterprises to each member up to United States dollar, two hundred and seventy one (US\$271) and
- 3) Attain a United States dollar four hundred and fifty million (US\$450m) on an annual basis in non-traditional exports (NTEs).

1.3 Implementation Design of ZATAC

ZATAC was designed to be implemented by a consortium of three firms led by Development Alternatives Incorporated (DAI) with assistance of J.E. Austin and Mano Consultancy Services. The staffing levels of ZATAC included six highly experienced, qualified and technically sound American and Zambian professional staff and together these professionals are expected to build a sustainable ZATAC and achieve the objectives of the project.

The terms of reference and mandate of the Development Alternative Incorporated (DAI) was to, among other assignments:

- a. Establish and manage ZATAC in Lusaka, Zambia, for an initial five year lifespan;
- b. Provide business development services to agribusiness that buy from or sell to smallholder farmers;
- c. Increase the number of and efficiency of Zambian agribusiness competing for smallholder production;
- d. Assist in marketing the produce profitably and competitively in domestic and international markets and;
- e. Provide a complementing and coordinating capacity for the other ongoing business development and rural income activities supported by USAID and other donors.

1.4 ZATAC Budget and Funding

The ZATAC total budget over a five-year period is US\$ 6.6 million and is wholly funded by the United States Agency for International Development (USAID).

1.5 Evaluation Purpose

The purpose of this mid-term evaluation was to determine:

- Efforts made in form of activities to realize the project objectives
- Effect in terms of extent to which interventions improved the identified gaps
- Change in form of evidence available that impacted positively or negatively on the intervention targets.

1.5.1 Specific Objectives of the Evaluation

The following are the specific objectives of the mid-term review:

1. To determine the extent to which the Development Alternatives Incorporated (DAI) implemented Zambia Agribusiness Technical Assistance Centre (ZATAC) which was established to provide business development services that work with smallholder farmers has had or is having a beneficial impact;
2. To identify the key elements of success of the Centre that can be replicated to improve ongoing or future investments and interventions on the part of USAID and;
3. To provide remedies or reorientation of the operations of the Centre if ZATAC does not achieve the intended goals.

1.6 Methodological Design

1.6.1 Study Design

There are a number of monitoring and evaluation (M&E) systems being employed in evaluating projects of this nature. However, for the purpose of this assignment, the Planning, Monitoring and Evaluation (PME) system was used. The PME system is based on four (4) main broad fundamental principles. The PME system is:

- (1) Able to capture and/or feed quality information on output, outcome and impact at any level of the project cycle, including accountability, reflective and analytical capabilities of the project implementers leading to adaptation of plans and realization of set objectives;
- (2) Based on the assumptions that change, as a result of social development, may be unpredictable and that its evaluation cannot always be based on the predetermined expectations of likely outcomes and
- (3) Acknowledges the value of alternative sources of information-both oral and visual-and of the perceptions of the target beneficiaries who have not been directly targeted in the project, but somehow have been affected by the spill over effects of the interventions.

In employing the PME system in M&E, four (4) key questions are addressed and measure the following: (a) Effort; (b) Effect; (c) Change and; (d) Efficiency.

1.6.1.1 Effort

The following questions were considered under this section:

- What interventions have been put in place to improve the situation on the target beneficiaries?

- What improvements in supporting target beneficiaries have been made by the organization?
- What activities have been undertaken to improve the organizational structure, productive and financial base of the target beneficiaries?
- What has been done to strengthen the organization as an actor in the society, or community?

1.6.1.2 Effect

The following questions were considered under this section:

- To what extent are the interventions being utilized?
- How have the target group benefited from the activities of the project?
- What is the level of participation of various partners/collaborators or interest groups in increasing opportunities?

1.6.1.3 Change

The following questions were considered under this section:

- What evidence is there to show that there have been improvements and sustainability in the entrepreneurship of the target beneficiaries?
- What evidence is available to show that the capacity of the beneficiaries' organizations have been strengthened
- What evidence exists to show that the project is providing relevant support to the target group?
- What evidence is there to show that there is increased equity among the target beneficiaries?

1.6.2 Fieldwork and Data Collection Tools

1.6.2.1 Sampling

The evaluation team visited Kazungula Dairy Project in Kazungula district of Southern province; and Buteko and Katuba Cooperative Societies in the Lusaka Province. Other farms or firms largely involved in production of export vegetables and Coffee production were visited too. The team also visited the ZATAC Project offices and met all the relevant staff except one.

The exercise utilized a complement of Participatory Rural Appraisal (PRA) methods and techniques to collect different data sets. The data collection methods used allowed target beneficiaries and those not directly linked to the project but aware of it, to investigate, analyze and evaluate their problems and/or constraints pertaining to their respective projects. The data collection methods also allowed target beneficiaries assess opportunities requisite to the development of sustainable business strategies in their area.

The assessment used the following PRA methods:

1. Semi-structured Interviewing (using purposely selected Focus Groups),
2. Key Informant Interviews and,
3. Structured Interviews (using questionnaires).

The methods managed to collect data about project performance in the question areas of effort, effect and change and target beneficiaries' relationships with socio-economic factors including policy issues prevailing in their localities.

1.6.2.2 Semi-structured Interviews

The study team conducted semi-structured interviews on five purposely selected and representative focus groups among the Project (both at ZATAC Office and respective local projects), community leaders, women, men and youths. The interviews collected data/information pertaining to community indicative income levels, capabilities and activities critical to the existing business strategies. In addition, key informant interviews through individual interactive discussion complemented focus group data/information collection. Among the people talked to, as key informants, were the Government leadership in the relevant line ministries and successful entrepreneurs/farmers in the specific relevant commodities within the study areas.

1.6.2.3 Structured Interviews

The Assessment Team conducted structured interviews, using questionnaires, to collect specific and quantitative data sets on randomly sampled target beneficiaries about all the important aspects of the project. The team members interviewed a total of 35 beneficiaries in line with the key evaluation questions.

1.6.3 Data Analysis

Data/information collected through semi-structured (focus group discussions) and key informant interviews were subjected to qualitative analysis and synthesized by the study team. On the other hand, data sets collected under the structured interviews were subjected to statistical analysis using the Statistical Package for Social Sciences (SPSS 11.0). The analyzed data makes the base of the ZATAC mid term review evaluation results report.

2.0 Study Findings, Analysis and Discussions

2.1 Project Management and Administration

2.1.1 Project Management and Administration Appraisal

From the onset, ZATAC's effort was directed towards setting up of the project office with six highly experienced, qualified and technically sound US and Zambian professional staff. Together these professionals are expected to build a sustainable ZATAC and achieve the objectives of the project. The DAI was responsible for project management and administration and activities that included: (1) official launching of ZATAC, (2) inventorisation of reports and (3) drawing and submission of work plans to UASID, which was successfully done within the first year of the project life.

Other efforts made by the project were trying to put in a place and operationalise the Monitoring and Evaluation system including the commissioning of the baseline study. In order for the project to realize one of its goals, that is, to make ZATAC a stand alone, self-funding and self managing Zambian organization within five years, a number of efforts were made and these included the operationalisation of the ZATAC Investment Fund (ZIF) and effective partner collaboration. This component has seen the establishment of the Smallholder Export Vegetables Project with strategic collaborations with a number of Non-Governmental Organizations (NGOs) such as Cooperative League of United States of America (CLUSA), CARE, Africare, and the private sector firms like Agriflora. Linkages have also been establishment with other development agencies such as JICA and NORAD. Other projects under ZIF with strategic collaboration include the Milk Collection Center in Kazungula and the Oil seeds projects in Lusaka.

The ZATAC management has also made remarkable achievement in the establishment of a Zambian led and managed private firm, a non-profit firm, the ZATAC Ltd. This is a strategic initiative in ensuring that the project objectives and activities will be articulated beyond the project life for sustainability of its activities.

By and large, ZATAC has managed to meet most of targets envisaged in the work plan from year one to year three of the project life.

2.1.1.1 Baseline Study

The evaluation study has noted that the baseline study was not as focused and useful as it should have been to ZATAC's development objectives. An example of this is the way the smallholder farmers were mobilized into the ZIF funded projects especially on the Export Vegetables. The baseline did not provide any meaningful data/information about the capacity (both in terms of skills and ability) of these farmers to participate gainfully in these projects. The implication of this is that there this has been a 'reverse approach' in terms of stepping up the capacity building efforts to the target RNFs. The review mission notes that this problem could have been identified earlier and the implementation process could have been halted all together until the capacity building programs have been implemented.

2.1.1.2 Monitoring and Evaluation System

Despite a number of monitoring and evaluation (M&E) tools being put in place, there are serious indications that there were gaps in the ZATAC management monitoring process. This is largely because ZATAC's M&E was 'apex-oriented' and left the field level monitoring to the collaborative partners. This approach was inherently weak because some partners did not share the same developmental objectives with ZATAC. They also had their own aspirations and agendas. An example of this would be the Kazungula Milk Collection project, where up to now, there has not been a democratically elected leadership structure to stir up the project objectives because this role was given to CARE which has since left due to change in their activity focus. Another example is the collaboration with Agriflora, who are responsible for carrying out farmer mobilization in the case of the Export Vegetable projects. ZATAC failed to detect the quality and capacity of smallholder farmers until when the project was midway in implementation.

However, the Evaluation study noted that ZATAC management have already taken note of these hiccups in the project and have since commenced sourcing funds from other donors/partners that will enable ZATAC register its presence at activity level by employing its own personnel to subsequently strengthen its M&E capacity.

2.1.1.3 Performance Indicators Appraisal

ZATAC's performance test is based on three immediate results (IR's), which together are collapsed into one strategic objective, that is, to increase sustainable Rural Income of selected groups. The three IR's include:

- a) Increased Sustainable Agriculture and Natural Resources Production and the performance indicator for this is an increase in the number of farmers using improved technologies and the target is adding 120,000 RNFEs more within the project life.

The target is achievable but from the evaluation study, it is not certain whether the target has been met. This is because some of the smallholder farmers that were mobilized in the various projects had low capacity to participate and as such found it difficult to continue. However, with the new strategy by ZATAC management of intensifying capacity building programs through training and field days, the target would certainly be achieved.

- b) Increased Productivity of Rural Non-Farm Enterprises and the performance indicator is increased net income per RNFE member and the target is US\$271. From the evaluation data analysis, especially using the Export vegetables and Milk collection projects, the target has been successfully attained (refer to table 2). This includes factoring in the labor costs which according to the Joint Industrial Council (JIC), 2001/2 of Zambia Farm Employers Association (ZFEA) and the National Union of Plantations and Agricultural Workers (NUPAW) is ZMK4,265/day (US\$1). From this kind of result, it is projected that a higher net income will be recorded by the time the project ends.

Table 1: Milk Collected at Kazungula Project

Month	No. of Smallholders	Total Amount Liters Collected
November	11	2815.4
December	11	942.3
January	18	8390.8
February	32	5747.9
March	30	7496.9
April	32	6039.4
May	29	5576.7
June	28	4438.7
July	30	Not available
Totals	191	41448.1
Average milk production per smallholder/ month = 217 litres Average income/smallholder/month = ZMK108, 502 (US\$24@ZMK4, 500) Annual Income/smallholder annually = US\$289. 34		

Source: Kazungula Cooperative Records

- c) Reduced Constraints to Private Sector Growth and the performance indicator is cumulative number of new, fair and effective trade protocols and that is expected to increase the value of NTEs per annum to US\$450 million annually

This has not been achieved and in fact within the project life, in 2000, the records show that the NTEs value dropped significantly from about US\$238.7 million in 1999 to US\$164.4 million in 2000 (see table 4). However, this is a very difficult target to attain as it is dependant on a lot of factors and ZATAC efforts alone cannot positively impact the NTEs during the project life. It is also true that the NTEs are very sensitive to macro indicators such as currency fluctuations and world market trends. Decreased NTE values over the years can also be attributed to inconsistent investment policies by GRZ. The GRZ has recently (1999) changed its investment requirements were an investor is required to have a lot more capital before they can be allowed to start a business. This has certainly been a disincentive and has resulted in reduced investment in agribusiness sub sector.

2.2 Establishment of Linkages to Financial and Business Institutions

2.2.1 Effort Appraisal

One of the major impediments to developing agribusiness or any other business in Zambia is the exorbitant interest rates and very short-term loan cycles offered by the Zambian banks. The commercial banks' simple average lending base rates for the last 5 years are shown in the table below

Table 2: Interest Rates Developments (1997-2001)

Year	1997	1998	1999	2000	2001	Five year average
Average Interest Rate	49.3	46.1	51.5	45.9	54.6	49.5

Source: Bank of Zambia

With an average annual lending interest rate of almost 50%, it is easy to understand why many agribusinesses are under-investing in their capital, processes and practices. The cost of financing is just too high and unsustainable for companies that are already struggling to make their profit margins in a domestic market characterized by decreasing value and volume, year-on-year. For those that are seeking to enter the lucrative but competitive export market, the reality is that they need to sustain high levels of new investment and re-investment to keep pace with the technical standards and rigorous specifications expected of them and delivered by their competitors. To do this requires them to fund their growth out of profits and/or their own capital rather than from bank borrowings.

It is against this background that ZATAC seeks to improve credit access to its participating RNFEs, through one of its five service areas, namely linkages to finance. Under this service area, ZATAC spells out that it will not be a credit program.

The design of ZATAC has demonstrated that financial flow to RNFEs are constrained by factors related to sectoral credit history, lack of collateral, and the risk associated with lending to the agricultural and non-mineral natural resource sectors. ZATAC has been mandated to provide financial intermediation services to improve RNFE access to credit and manage two risk-reducing funds. One is a Special Purpose Financing Vehicle (\$400,000) to leverage funding for natural resource RNFEs, and the other is a Matching Grant Fund (\$100,000) to foster innovation in RNFE technology, market development, and service delivery. ZATAC put in more effort to secure more funding such that by the end of FY 1, USAID released more money to increase ZIF to \$1,000,000. In line with increasing non-traditional export (NTEs); an additional \$600,000 was specifically earmarked for the “smallholder export vegetables cooperative” project. This is the amount that is being used to provide loans for the smallholders to acquire irrigation equipment and inputs for growing export vegetables. ZATAC is working with AGRFLORA in this smallholder export vegetables cooperative project.

2.2.2 Establishment of Linkages to Financial Institutions - Effect/Change Appraisal

To improve the situation of its target beneficiaries, that is, the RNFEs and smallholders, ZATAC has primarily put in place the linkages to finance service area outlined above. This service area is to be measured by three milestones and two benchmarks under each milestone. The target milestones and their respective benchmarks are summarized below.

Milestone 1: Strengthen Financial Position of ZATAC Clients

Benchmark: 18 Articles in National and International Press For Zambian Business Opportunities Published

Benchmark: 18 Investment Promotion Pieces on Zambian Agribusiness Published/Distributed

Milestone 2: Increase By 120 Number of Loans Granted To RNFEs

Benchmark: 150 Financial Applications Facilitated, 120 Succeed

Benchmark: 60, 000 Smallholders Benefited From Improved Finances Of 120 RNFEs

Milestone 3: Identify 30 Equity/Joint Ventures

Benchmark: 45 Potential Joint Venture Partners Identified

Benchmark: 30 Information Memos/Profiles for Potential Partners Written.

From the milestones set by ZATAC, it is easy to see that the 2nd and 3rd milestones have clear benchmarks to measure success or failure of the program. The problem however is with the benchmarks to be used in measuring the 1st milestone. The milestone itself is clear, as the idea is to strengthen the financial position of ZATAC clients. However, how articles published in the national and international media can strengthen the financial position of the ZATAC clients is not clearly stated. The benchmarks under the 2nd and 3rd milestones could more accurately measure the 1st milestone.

The ZATAC linkages to financing institutions is a unique effort as it addresses credit support for non-traditional agriculture, which mainly involves the growing of high value crops and also production of other high value commodities like dairy and poultry. Effort has been put in by ZATAC to help finance agribusiness activities in coffee, horticulture, dairy, poultry, cashew and warehouse receipts. This deliberate approach by ZATAC to assist investment in production of NTEs is strategic as the countries export earnings are increasingly depending on NTEs. For example, in 2001 the value of NTEs was at over US\$230million compared to about US\$164million in 2000 (see table 3 below). ZATAC's initiative is in line with government's policy of diversifying the export base.

Table 3: NON-TRADITIONAL EXPORT EARNINGS (US\$ 000)

Products	Jan to Oct	Jan to Oct	Jan to Oct	% Change
	1999	2000	2001	2001/2002
Animal products	2,276.80	4,688.40	4,715.29	0.6
Building products	5,519.50	4,765.80	5,850.11	22.8
Chemical products	4,937.90	4,834.10	4,912.01	1.6
Engineering products	19,690.10	12,928.10	18,599.15	43.9
Floriculture products	33,123.90	24,074.20	29,946.38	24.4
Garments	11,513.50	9,461.80	12,399.94	31.1
Handicrafts and curios	108.2	88.7	174.53	96.0
Horticultural products	19,474.30	13,247.80	26,057.73	96.7
Leather products	2,508.50	855.7	240.36	-71.9
Cooper rods	2,386.70	3,223.70	11,922.82	269.8
Non-metallic Minerals	773.3	800.6	612.49	-23.5
Other manufacturers	4,465.20	3,073.40	7,632.03	148.3
Petroleum Oils	6,486.90	162.2	1,406.09	766.9
Primary Agriculture Products	51,580.00	26,091.20	32,317.06	23.9
Processed Foods	29,153.00	26,114.00	36,123.75	38.3
Re-exports	2,392.70	3,547.00	2,611.01	-26.4
Scrap metal	5,437.50	4,343.30	4,148.90	-4.5
Textiles	30,019.40	19,586.30	28,059.89	43.3
Wood products	1,825.50	2,350.10	2,337.58	-0.5
Electricity	4,747.80	-	-	-
Total	238,706.80	164,440.70	230,285.60	40.0

Source: Ministry of Finance and National Planning (2001) Economic Report

As can be noted from the table, the percentage change in horticultural products was remarkable (96.7%). ZATAC has no doubt contributed to this growth through its mediation and support of out grower schemes like the one between Agriflora and the various smallholders.

ZATAC has also been supportive of agribusinesses that add value to the products in view of the potential that the processed food sector has to contribute to the export earnings. However, data in the table shows that there is still a lot of room for growth in this sub-sector as the growth percentage from 2000 to 2001 was only 38.3. ZATAC has thus been targeting smallholders in poultry, dairy and tomato paste production so that the agro-processing industry can be improved.

A worthwhile effort by ZATAC to promote investment opportunities in Zambia has been made in accordance with the benchmarks for milestone number 1. ZATAC has been supporting its clients by promoting Zambian products and opportunities to attract investors through the publication and distribution of articles in the local press. And more recently, ZATAC has helped launch two radio programs to help small-scale farmers to get to the export market. The radio programs have however been discontinued.

There has also been an effort by ZATAC to strengthen the organization as an actor in the agriculture community. A major accomplishment to this end has been the Zambianization of the ZATAC project that has led to the successful establishment of ZATAC Ltd. This effort will no doubt help ZATAC to remain focused in its activities as it pursues its objectives of improving the Zambian agribusiness in general and specifically the rural smallholder farmers.

Another initiative aimed at making the program responsive to the needs of its target beneficiaries has been the introduction of a ZATAC representative at project sites. One such site is the Kazungula Milk Collection Center and the Katuba Coffee integrated projects where a representative has been stationed to oversee the full implementation of the project.

There is no doubt that ZATAC has put in a lot of programs and activities in its effort to link the RNFs and smallholder farmers to financial institutions. To try and reduce risk for the borrower and lender alike, ZATAC has had its ZIF and the Matching Grant Fund to leverage finance. ZATAC has also been promoting joint ventures with other partners in finance like the Embassy of Japan. However, the question to consider is, to what extent have these programs been implemented and what effects have these efforts made on the target beneficiaries?

We first consider the extent to which ZATAC has implemented its activities. Table 4 below represents the total achievements made in the linkages to finance service area over the past three years.

Table 4: Linkages to Finance Performance Achievements

ACTIVITY	PERFORMANCE TARGETS							
	Life of Project	Year 1		Year 2		Year 3		
		Target	Achieved	Target	Achieved	Target	Achieved	Cumulative Achieved
Publish articles in national and international Press on Zambian products	18	1	4	5	28	4	3	35
Publish and distribute investment Promotion Pieces	18	2	1	3	1	8	2	4
Facilitate financial applications	150	15	3	14	13	60	19	35
Benefit small holders from improved financing to RNFES	60,000	500	750	3,370	18740	-	-	19490
Identify potential joint venture partners	45	6	10	5	54	20	8	72
Write information memos/profiles for potential partners	30	3	3	5	34	16	0	37
Total no of Outputs	261	27	21	32	130	108	32	

Source: ZATAC Annual Reports.

The table above summarizes the various targets set and the achievements for the benchmarks set to achieve the milestones for measuring success of the project in terms of linkages to finance.

Regarding the first milestone, which was to strengthen the financial position of ZATAC's clients, the benchmark of publishing 18 articles in national and international press for Zambian business opportunities has been achieved over and above the set target. However, the second benchmark has not been achieved yet. The annual targets for this benchmark, though, have been achieved. It is good that enough has been done to promote Zambian products locally and abroad. However, it would be more critical and strategic to also bring in as many investors from both outside and within the country. This is where ZATAC needs to work on the second benchmark—especially that the project's life is half over. The major constraints or obstacles to bringing in more investors have been the hostile macro-economic environment as discussed in the introduction to this chapter on linkages to finance. The high interest rates, unstable currency exchange rate, high production costs (electricity, fuel) and exorbitant corporate and value added taxes are the main deterrents to potential investors in agriculture. Other obstacles include unfavorable and/or unclear agricultural and investment policies as discussed in detail in the policy advocacy section of this report.

Publishing and distributing investment promotions should be a priority now that ZATAC has identified which areas of the agribusiness sub-sector are in dire need of

investment. ZATAC can work with the Zambia Investment Center (ZIC). The ZIC would be a strategic partner in bringing in more investors, both local and foreign, so that more investment can be made into the agribusiness sub-sector. The ZIC can work together with ZATAC to identify quality investors that can replicate and invest more in programs that have proven successful for ZATAC. The smallholder milk schemes and smallholder vegetables for export have proved viable and could be extended to other urban areas like Kabwe and the Copperbelt by these newly identified investors. If the partnership with ZIC is already there, then it is necessary to improve it so that more promotional pieces can be done. ZATAC could then concentrate on helping these agribusiness partners to re-invest and/or re-capitalize. While there is no end to investment promotion, it would be effective to achieve the set targets so that all potential investors are aware of what ZATAC has to offer so that these investors can form financial partnerships with ZATAC.

The other key benchmark to reach regarding milestone number two is that of increasing by 120 the number of loans granted to RNFs. To achieve this, ZATAC has to facilitate 150 financial applications and do so successfully for 120 of these. By the end of year 3, ZATAC had achieved 23.3% of this target. ZATAC has to work a lot more on this area so that more agribusinesses can have access to this credit. This is a critical area because for the ZATAC's clients to benefit from the programs, they ultimately need to have access to finance. The long-term loans (three to five years) that have been granted to the smallholders have mostly been for purchase of irrigation equipment like pipes, overhead sprinklers and treadle pumps. Inputs like seed and fertilizer are also provided on loan (short term, seasonal) and this is then deducted from the value of the farmers produce at harvest. The long-term loans average about \$100 per smallholder. The majority (about 75%) of the loan recipients are male. This however does not mean that the females have not benefited. The review study noted that families (man, wife and children) worked together on the farm and thus benefits accrued to the entire family. The males got the loans on account of being household heads. Females that were in charge of households also had access to the loans. The review mission noted that even if there is no spelled out gender policy, the ZATAC project has encouraged equal opportunity for women and men to access markets, loans and training. Furthermore, ZATAC also encourages the cooperatives (RNFs) to register members' spouses (wives) so that women can fully participate in cooperatives meetings and trainings. In Katuba, ZATAC is currently enforcing a minimum female representation policy in most of its training programs.

The second benchmark of having 60, 000 smallholders to benefit from improved finances of 120 RNFs seems to be attainable. For the first two years, almost 20,000 smallholder farmers have benefited, according to the ZATAC records shown in the table above. This corresponds to about 33% of the target for the 5-year period. There were no records of how many benefited for the third year. However, it is likely that many more smallholder farmers have benefited and will continue to benefit from the loans given to RNFs. All that ZATAC needs to do is to capture the accurate number of smallholder beneficiaries. The study conducted by the Evaluation team noted that 80% of the respondents did benefit from the ZATAC funded RNFs. The benefits ranged from easier access to markets for their produce to increased incomes for the households. Details of these benefits are discussed in the section under change appraisal.

The concept of having joint ventures is intended to reduce risk of lending money and also to bring in as many relevant investors/stakeholders as possible into the agribusiness sub sector to make the projects sustainable. To this end, ZATAC has identified 72 joint venture partnerships compared to its 5-year target of 48. This is a

160% achievement rate. It would even be more progressive if ZATAC did follow up to ensure that the joint ventures succeeded in achieving the objectives agreed upon.

The intended beneficiaries are indeed utilizing the financial linkages. The impact on the smallholder as a result of access to credit was also evident. Statistics from the interviews conducted by the Evaluation team shows that access to credit has improved for the ZATAC project participants. Only 3% of the participants had access to any form of credit before the ZATAC projects. This figure jumped up to 72% of participants that now have access to credit since introduction of the projects. The credit is primarily in form of inputs like seed, fertilizer and irrigation equipment. A critical determinant of whether the beneficiaries actually used the funds is how much they invest in their businesses. Forty-eight percent (48%) of the smallholder respondents invested amounts of between Kwacha one hundred thousand (K100,000) and Kwacha two million (K2,000,000), with an average of K1,000,000. Only two respondents invested amounts of K50 million and K10 million respectively. The major share of this investment was in form of irrigation equipment offered on loan to the smallholders. A smaller portion was in form of variable inputs such as seed and fertilizer.

The major change in the behavior of the RNFEs as a result of having access to credit is that they now own infrastructure/facilities. The Kazungula Cooperative Society has the Milk Collection Center worth more than US\$40,000. The smallholder farmers that are members of this Cooperative easily sell their milk to the center and are assured of a market. The Buteko Cooperative as an RNFE has a new storage shade that has cooling facilities for the vegetables that the farmers produce. The Buteko storage facility has enabled the cooperative members to reduce on the amount of vegetables wasted when AGRIFLORA delays in picking up the produce.

The review mission found that the average income earned by the smallholders involved in horticulture is ZMK 150,000 (US\$33 @ ZMK4500 per \$1) per month. This translates to US\$396 per annum. This is a significant gross income and is used by households for the family upkeep and purchase of inputs. The ZATAC project has thus enabled the families to make this income that would otherwise not have been possible for them to earn.

2.3 Partnerships/ZATAC Collaborators

2.3.1 Effort Appraisal

ZATAC is a service organization and thus needs to have good relations with a broad set of potential partners who include public officials, private businesses, trade associations, NGO's and donors. The partners work with ZATAC in primarily three areas: Technical, Commercial and Financial.

ZATAC's technical partners are the experts in various services that they offer. These include those that supply and/or install equipment used in the projects that ZATAC supports. Notable among these partners are IDE and AMIRAN, the suppliers of irrigation equipment. Since in most cases the equipment supplied is new technology to the farmers, it is imperative that such partners also provide after sales service and listen to the concerns of their clients. The other type of technical partner offers mostly technical expertise on various aspects of agricultural management. Examples of these are CLUSA, ZCGA and CARE. CARE has also worked with ZATAC in the implementation of some projects. The Kazungula Milk Collection Centre in the Southern Province was implemented with help of CARE.

The technical partners are key to the success of ZATAC's projects as they impart the basic skills and supply equipment to the smallholders and RNFs. These partners will help the smallholder farmers produce at a profitable level, as these farmers still lack the basics in farm/business management.

The commercial partners buy produce from the smallholder farmers and thus contribute directly to their increased incomes. The Commercial partners have a critical role to play in the success of the projects and thus ZATAC would do well to work with commercial partners that are willing to pay a competitive price for the products. It would even be more efficient and cost effective if a commercial partner also takes up the role of providing technical assistance to the farmer so as to train the farmers to produce a quality and acceptable product that will attract a good price.

The financial partners provide credit or financial resources to the smallholder farmers and the RNFs in order to increase their productivity. Table 5 below shows the number of various partners that worked with ZATAC in the 2nd fiscal year. These partners serviced a total of 42 RNFs and 2257 producers.

Table 5: Number and Type of ZATAC Partners

Type of Partner	Number
Technical	17
Commercial	18
Financial	21
Total	56

Source: 1st Quarterly Report for FY 2001

Financial partners are more than the other two service partners (see Table 5 above). This deliberate strategy by ZATAC to have more financial partners has actually worked well for the projects. The risk of lending out the money has been reduced for the various institutions involved because the smallholder farmers can leverage their financing.

2.3.2 Effect/Change Appraisal

The major concerns expressed by the smallholder farmers from the projects that were visited in the study were mainly with reference to the technical and commercial services. Almost all (95%) of the smallholders interviewed were not satisfied with the services provided by the technical and commercial collaborators. In two areas that the evaluation team visited, AGRIFLORA and BIOPEST were the partners that the smallholder farmers cited as not providing satisfactory services. AGRIFLORA provides inputs and controls disease and pest attacks on the crop. The spraying to control diseases and pests, however, has not been done consistently and effectively by AGRIFLORA, resulting in estimated losses of up 30% of crop yield.

BIOPEST, ZATAC's partner in Katuba area, provides fertilizer and seed input for growing of paprika. BIOPEST has also not met the farmers' expectations as it has failed to avail fertilizer in sufficient quantities on time and has failed to effectively control disease and pests.

The main reason behind AGRIFLORA's failure to provide the expected quality service to all the farmers under the outgrower programme is that it has limited capacity to cater for the large number of farmers involved. ZATAC had initially

proposed that the AGRIFLORA outgrower program should begin by involving only about 4 or 5 co-operatives but AGRIFLORA opted to work with about 10 co-operatives. The result has been a lack of individual farmer attention by AGRIFLORA as it has outstretched its capacity.

BIOPEST is a relatively new partner for ZATAC as they have been working with ZATAC for less than a year in the Katuba area. The smallholder producers that are working with BIOPEST are concerned that fertilizer is not provided in adequate quantities and is usually delivered late. The smallholder farmers interviewed also stated that BIOPEST has a poor pest and disease control programme. BIOPEST is, however, trying to address these shortcomings by introducing a permanent representative within the farming community. This has partly improved their pest and disease control programme but not the delivery of adequate fertilizers to farmers on time.

The smallholders would get extra benefits if ZATAC engaged more commercial partners, as that would widen the participants' market options. That in turn would increase the smallholder farmers' income, as the many commercial partners would be competing for purchase of the commodities.

ZATAC's technical partners in providing irrigation equipment IDE and AMIRAN have generally been popular with the smallholder beneficiaries, especially with the treadle pumps. The only problem that the farmers cited was that the equipment was expensive and it will take them beyond the agreed loan repayment period to service their loans. This has also been exacerbated by the fact that the farmers are not getting in the projected cash flows from their production due to the problems of low prices and late payment of money.

ZATAC would work successfully with partners that are not solely motivated by profits in the short run but look at the long-term benefits that will accrue when the smallholders acquire their management skills and are able to sustain their businesses and can thus repay any loans that are outstanding.

A strategic partner in ZATAC's activities that has not been fully involved is the GRZ, specifically, the Departments of Extension and Veterinary/Animal health. For ZATAC to improve service delivery and impact and for long-term sustainability, the government has to be consulted in the baseline activities for new projects and also involved in the implementation of all projects. The evaluation study noted that the Veterinary Department was not fully consulted in the Kazungula Milk Collection Project and this led to the failure to combat the outbreak of Foot and Mouth disease in the area during the course of project implementation. The DVO was not officially consulted during the baseline study and only knew of the project informally through a colleague at CARE. The project is now making efforts to link with the DVO. For instance, a Memorandum of Understanding was recently signed by the District Veterinary Officer to incorporate the Ministry in project activities. The Government has since carried out vaccinations to help prevent Foot and Mouth Disease in Kazungula.

The extension officers in the project areas rarely visit the farmers due to lack of transport, poor remuneration and poor work ethics. Almost 75% of the farmers interviewed stated that they had not seen an extension officer for about a year. They stated that the extension officer was only seen when there was an outbreak of disease that needed combating. ZATAC should consider incorporating extension officers in their projects by providing them with transport and/or allowances as an incentive to work with the project participants.

The ZATAC project beneficiaries suggested that for improvement of service delivery and smooth implementation of the projects, there was need for ZATAC to partner with institutions that can work with the community and the government to improve infrastructure like roads. A good partner for this activity would be the Rural Investment Fund (RIF) of the Agricultural Sector investment Programme (ASIP). The communities felt that organizations like Prevention Against Malnutrition (PAM) and The Micro-Projects Unit (MPU) could work together with ZATAC to achieve these objectives.

The majority of smallholder farmers (70%) identified the government as a critical partner in enhancing project service and delivery. Sixty three percent of the respondents at the Kazungula milk collection center stated that their milk production would be improved significantly if the Animal Health Department worked with the community in combating and preventing diseases. The farmers also felt they needed to work with animal breeders so they can adopt high milk yielding cattle breeds to improve their milk production.

For the farmers involved in horticulture, more than half (52%) looked to more private sector participation in input supply as a way of enhancing ZATAC's project service delivery and impact. The smallholders pointed out that they could get competitive prices for inputs if a few more organizations supplied seed and fertilizer.

The following are the strengths and weaknesses of 5 of ZATAC's partners: -

1. AGRIFLORA

Strengths

- Experienced in horticulture production and marketing
- Experienced in out grower scheme management

Weaknesses

- Handles too many smallholders, beyond its current capacity
- Majority of small holders perceive AGRIFLORA as exploiting them by paying them low prices and rejecting an average of 33% of their produce as below standard. The smallholders blame AGRIFLORA for the poor quality crop as AGRIFLORA is in charge of disease and pest control.

2. CARE INTERNATIONAL

Strengths

- Experience in community development activities
- Well established in many rural areas of the country

Weakness

- Have their own priorities and ZATAC activities might not be top of those.

3. SMALLHOLDER CO-OPERATIVES

Strengths

- Easier to manage projects as community is organized in cooperatives
- The co-operative is held accountable and responsible for activities it undertakes to both sponsor and the community.

Weakness

- Most co-operatives lack business and managerial skills

4. GOVERNMENT OF THE REPUBLIC OF ZAMBIA (GRZ): DEPARTMENTS OF VET/ANIMAL HEALTH AND EXTENSION

Strengths

- Are in charge of creating an enabling environment on a macro-level and also providing support in areas such as specialized human resource and infrastructure.
- Can be used a vehicle for influencing policy change and to facilitate smooth implementation of ZATAC projects

Weaknesses

- Misplacement of priorities leading to lack of resources for program implementation.
- Bureaucracy in formulation and implementation of policies/programmes.

5. INTERNATIONAL DEVELOPMENT ENTERPRISES (IDE)

Strengths

- Experts in irrigation installation
- Provide treadle pumps that are popular with a lot of small-scale farmers

Weakness

- Poor service back up and after sales service

In spite of the many shortcomings on the part of ZATAC's partners that have been highlighted in the discussion above, most of the partners are working towards rectifying these mistakes. The partners have also impacted on the beneficiaries as the incomes that the smallholders earn from the many programs they are involved in are as a result of these partnerships. The smallholders are assured of a ready income when they enter into these outgrower schemes and at the same time the smallholders are provided with "free" inputs. The impact on the smallholders and other RNFEs is that they acquire farm management skills in producing commodities for both local and export markets.

2.4 Policy Advocacy

2.4.1 Policy Advocacy Appraisal

ZATAC's policy advocacy is aimed at improving the enabling environment and providing quality dialogue among stakeholders in ZATAC activities. Over the past three years, ZATAC has participated in many policy workshops. In the majority of these workshops, ZATAC's expertise was required to input in areas such as agribusiness management and agricultural finance.

The policy advocacy dialogues initiated by ZATAC have also been very successful. For example, the formation of the Zambia Commodity Association Agency and the lobbying done to include lime in the GRZ agricultural input packages.

In most of its quarterly plans, ZATAC includes only a couple of workshops on policy advocacy. This is a good approach by ZATAC as policy discussion, formulation and lobbying is time consuming and is usually perceived as political. If ZATAC were to be highly involved in policy issues, a considerable amount of its resources would be taken up. However, from the ZATAC reports, it was apparent that a significant number of policy discussions involved mostly government technocrats and well established businesspersons. It would be more appropriate if more rural stakeholders like smallholder farmers were involved in policy initiatives so that they can influence policy areas that directly impact them. This works well as the case was when ZATAC held the Lime workshop/seminar

2.4.2 Policy Constraints

A significant policy constraint to ZATAC's program implementation has been the lack of clarity in government's agricultural and industrial policies. For example, even though the government encourages a free market economy, its distribution of subsidized inputs like fertilizer in certain seasons distorts the rural private-sector economy. This has limited the number of investors in the agribusiness sub-sector who could buy produce from and sell inputs to smallholder farmers. A point that was raised in the analysis of ZATAC's collaborators was the fact that there were not enough commercial partners to work with ZATAC and its clients. One reason behind this scenario could be the lack of clear and good agricultural policies.

Another policy constraint has been that agriculture is "supply" rather than "market driven". This too has slowed down the implementation of some of ZATAC's programs, as the participants who have been used to a culture of simply supplying products without proper market or demand analysis have to be trained to carry out the necessary market analysis.

A lack of consistent policy on tariff and tax regimes (e.g. VAT) has resulted in agribusinesses facing unfair competition from imported products and at the same time being heavily taxed by the government. The ZRA estimates that only about 3.5% of the population actually pays any tax at all. This means that Zambia has a narrow tax base, resulting in the private commercial and industrial sectors as the only few areas that can be consistently taxed by the treasury. This clearly discourages more investment in the agribusiness sector that can promote and work with RNFEs. For the existing agribusinesses, it is difficult to make any long-term plans due to the variable tax regimes. For a long time now, some finished agricultural and industrial products attract less duty than critical inputs that are essential to the manufacture of these same or similar products locally. This too is a disincentive for agribusinesses that could possibly work with ZATAC programs.

The lack of commitment to quality and standards enforcement by both the public and private sector has been a major constraint to expanding agricultural exports. The smallholders who are in the AGRIFLORA outgrower scheme are a notable example. A significant percentage of their produce is rejected due to poor quality. While this is not entirely caused by them, it shows how both the producer and buyer neglect quality in production. At the Kazungula milk collection centre, about 10% of the milk is brought in as sour milk each day. While the sour milk is not discarded, the farmer is paid a low price and this certainly lowers their income, as their cost of production is still the same.

ZATAC has been bringing its clients and the GRZ to try and address these policy constraints. As has been alluded to earlier, a success story in policy for ZATAC has

been that in which it influenced the GRZ to include lime as part of a core input in crop production to improve yield by as much as 30% and this will ultimately raise the beneficiaries incomes. ZATAC has also planned more workshops to influence policy so that a number of the constraints that have been highlighted in the discussion above can be reduced.

2.5 Skills Development and Information Dissemination

2.5.1 Skills Development and Information Dissemination Appraisal

Good business needs good management and thus ZATAC has planned, tailored and implemented its programs to incorporate this important aspect of skills development through conducting training workshops, courses, seminars and conferences. The ZATAC's objective of training and skills development is to develop business, finance, marketing and agribusiness related skills to ensure success and sustainability of its programs.

From the ZATAC quarterly and annual reports, it is clear that the skills development and dissemination workshops conducted so far are over and above the targeted outputs. At the end of the 3rd Financial Year, projected output had been exceeded by over 400%.

The topics covered in these training sessions have been broad, ranging from basic business management skills to more complex issues in finance and marketing. Both RNFEs and RNFE members have been involved in these training programs. The current records show that an estimated number of about 1,200 people have undergone training in the various workshops/seminars delivered. The table below shows the type of skills and the estimated number of people trained.

Table 6: Participants Trained.

Training Skill	Number of Participants
Crop diversification/new crop/marketing	529
Cost saving	80
Business skills	105
Financial management	45
HIV/AIDS awareness and dissemination	20
Health, safety, soil and water management	200
Paprika post harvest management	30
Paprika production	40
Baby corn harvesting	40
Milk hygiene	16
Poultry production	19
Warehouse receipt program	47
Cashew production	30
Total	1201

Source: ZATAC Quarterly and Annual reports

The evaluation study did conduct interviews with RNFE members to determine their perceptions on the training conducted by ZATAC. From the random sample interviewed, only 54% attended any kind of training course. The majority (28%) of

those that attended these training courses went to more than two of these courses. This indicates that it is the same people that go to these training courses and this will certainly not ensure that as many project beneficiaries as possible attain skills to run their businesses. The most common training that the smallholders attended was general farm management as over 25% of the participants attended this kind of training. Only a few attended some kind of specialized training to meet their specific requirements. The training could be more helpful if all participants not only attended general training but also were exposed to a specialized training for their particular business.

Over two-thirds of the people that have undergone the training courses did apply the knowledge acquired and they did state that the skills had improved their business performance. The subsequent impact on the trainees is that most have been able to run their businesses well and thus earn more income. As was pointed earlier, most of the target groups lacked basic farm management skills. The training that they have received has helped them become better managers.

One component of the training worth mentioning is that concerning HIV/AIDS. Table 6 above shows that 20 people have attended an HIV/AIDS awareness seminar. Discussions with ZATAC staff however revealed that a number of such workshops have actually been held and that several hundreds of ZATAC beneficiaries have attended these. However, more seminars on HIV/AIDS need to be held so that the target beneficiaries can be sensitized. This is especially critical in view of the fact that about 75% of ZATAC beneficiaries are in the age group 15 to 49 years, which is the most vulnerable to the disease. This thematic area is very cardinal in the remaining years of the project. This is because if necessary skills are not imparted in the targeted beneficiaries then the whole concept of sustainability of ZATAC as a project and ZATAC Ltd in years to come will be threatened.

2.6 Market Demand and Analysis

2.6.1 Market Demand and Analysis Effort Appraisal

As a market led, demand-driven project, ZATAC's priority is to continue creating and sustaining direct links between RNFEs and small producers to meet the primary objective of increasing smallholder farmers' incomes. This component is also focused on examining national and regional markets for the supply of Zambian products to improve productivity and profits. Constraints that hinder RNFEs from taking advantage of market opportunities are also identified. Market assessments and analyses, combined with identification of potential buyers and investors are key activities of this component.

Three market assessments were completed in the product areas of dairy, groundnuts and peanut butter and garlic. ZATAC staff identified twenty-two brokers and buyers of low rainfall products, while some value added processing opportunities were also identified. Related to establishing new market opportunities, desk studies on trade flows and product profiles for non-traditional agricultural export products were completed, and business opportunities and foreign partners for licensing were also identified.

A comprehensive study of the dairy industry was undertaken in December of 2000, in conjunction with a consultant supported by Land O' Lakes. The purpose of the study was to determine the consumption trends and growth opportunities in the processed

milk industry in order to expand the scope of ZATAC's dairy initiative that is focused on smallholder production in Southern Province

More processed milk products are being sold into an ever more competitive market which included soft drinks juices and artificially flavored fruit drinks. These and other findings in the study have formed the basis of the dairy directive proposal that will focus on industry-wide promotion, product safety and quality, improved handling in rural areas (milk depots) and assistance to smallholder production.

In May of 2000, the Natural Resources Institute of the UK initiated the development of a Warehouse Receipt Program (WRP), a type of inventory credit and marketing scheme that is effective in countries such as Zimbabwe, South Africa and the United States. The initiative began as a stakeholder-driven effort with farmers, millers, traders, banks, NGO's and others as the formative body that eventually formalized a Zambian registered non-profit organization called ZACA – Zambia Agricultural Commodities Agency. To date with ZATAC assistance, ZACA has completed staff hiring and is fully operational under the pilot phase.

ZATAC has been instrumental in the formation of the organization and the receipt program through technical contributions on task forces, offering temporary office space and administrative support for ZACA since November 2000. ZACA was scheduled to officially launch the warehouse receipt program by July 2002. ZATAC's participation and contributions toward the program have augmented the marketing efforts of various Zambian businesses and producers and increased the profit potential for the holder-produced non-perishable commodities. To this end, the WRP has contributed ZATAC's milestones with the Market and Demand Service Areas related to identification of brokers and buyers and identification of new business opportunities.

2.6.1 Market Demand and Analysis Effect Appraisal

ZATAC made important strides in achieving project goals remaining vigilant to its goal of increasing outreach as far as possible to smallholder farmers with the commitment to pursue those activities that benefit small holders and help raise their income. Table 7 below shows the performance targets set and achieved by ZATAC during the last three years. All the activities undertaken during this period, in one way or other, have or are contributing to stimulating the agribusiness sector in Zambia.

Table 7: Market and Demand Analysis Performance Targets

Activity	Project life	Year 1		Year 2		Year 3		Cumulative Achieved
		Target	Achieved	Target	Achieved	Target	Achieved	
Market Assessment performed	10	4	8	3	3	30	6	17
Market Analysis/Desk studies completed	21	4	4	4	4	-	-	8
Brokers/buyers identified	45	5	4	4	22	20	10	36
Potential Investors invited to Zambia	15	1	1	4	0	5	-	1
Value added processing opportunity identified	15	0	2	5	10	4	3	15
Identify new markets for non traditional products and natural resources products	5	0	1	2	1	4	-	2
Study tour completed	24	2	6	1	0	8	-	6
Products and business profile prepared	1	1	1	11	13	4	6	20
Foreign Partners for technology transfer	1	1	1	0	5	4	1	7
Total No. Outputs		18	28	36	58	79	26	112

Source: ZATAC annual reports

ZATAC has performed well in market assessments as 17 out of the project target of 10 have been performed so far. The assessments done at the start of the year concentrated on products like sunflower, groundnuts, soybeans and cottonseed. These crops are grown mostly by rural small-scale farmers and supplied to oil processing companies like Amanita. ZATAC has since moved its focus to also include market assessments for products with increasing demand and windows of opportunity during periods of low supply. ZATAC has conducted such a study involving three large wholesale open city council markets of Lusaka and Livingstone. The products that have been investigated include cabbage, sweet potatoes, Irish potatoes, bananas, oranges, watermelons, pumpkins, onions, tomatoes and sugar cane. These assessments have shown that ZATAC is indeed demand driven, as there has been an increasing and growing market for these products in the urban areas. There was thus need for this kind of assessment so that the smallholders can be supplied with the production and marketing information.

ZATAC has worked hard in identifying buyers and brokers for its smallholder beneficiaries. ZATAC started off with identifying buyers for the Jatropha soap from the smallholders by Sun International and milk by FINTA. This was during its first financial year. ZATAC has also gone out of its way by making sure that it still assists smallholders that have been abandoned by their buyers. A good example is the Katuba farmers where AGRIFLORA pulled out but ZATAC went in and partnered up with BIOPEST as new buyers for the paprika that the farmers are growing.

One area under market and demand analysis in which the targets have not been met is potential investors invited to Zambia. ZATAC has possibly set too many indicators to measure its achievements and this has obviously resulted in not meeting some of these like that of inviting potential investors into Zambia. ZATAC has also concentrated on dealing with investors who are already established in the country and thus has not seen the priority of getting in foreign investors.

As can be seen from the table, ZATAC is on course in meeting its targets under this component by the end of the project life. All that ZATAC needs is to continue meeting these targets and review them each quarter to see if they are still attainable.

2.7 Market Development and Expansion

2.7.1 Market Development and Expansion Effort Appraisal

ZATAC's Market Development and Expansion activities are designed to help increase the marketability of Zambian products and create new joint venture partnerships between Zambian and foreign firms. Through development of trade and investment contracts, this service area is expected to assist RNFEs strengthen their products positions regionally and internationally. The objective of this component is to help expand markets for Zambian products. ZATAC offers services in such areas as market entry and development strategies, production improvement, increase and improve market linkages, and increase investments to help improve RNFEs.

Coffee production in the crop mixes is being practiced. Hundreds of smallholders are attached to The Agriflora vegetable project and through ZATAC'S assistance, have included perennial cash crops to complement their intensive high value vegetable enterprises. Coffee, vegetables, cashew and dairy are among the diversified enterprises that producer groups are adopting in order to increase incomes.

2.7.1 Market Development and Expansion Effect/Change Appraisal

Table 8 below shows the targets set and what has been achieved in the area of market development and expansion. The target for facilitating of RNFE business plans has not been met. Only 20% of the project life target has been met so far while the annual targets have not been achieved. This is a crucial component that ZATAC has to work on since a RNFE can only have good business if its plan is good. Good plans will also assist the RNFEs to have easier access to finance.

The linking of RNFEs and smallholders using NRM has not been done. Out of a target of 120 RNFEs to be linked, none have been. ZATAC needs to strengthen this natural resource component, as it has to be integrated with most agricultural practices

ZATAC has done well in market assessment of NTE products, trade promotion events and providing technical assistance to improve post-harvest handling. All the set targets were achieved under these programmes.

A crucial market development and expansion area that needs urgent attention from ZATAC is the provision of technical assistance to RNFEs on utilization of diversified crops. Most RNFEs have been having problems servicing their loans because they are not generating sufficient incomes from the main activity that they are involved in. The successful RNFEs have a diversified production base as they spread their income earning sources over several ventures. ZATAC has to urgently address this issue if the RNFEs that are under the programmes are to sustain themselves.

Table 8: Market Development & Expansion

Activity	Project life	Year 1		Year 2		Year 3		Cumulative Achieved
		Target	Achieved	Target	Achieved	Target	Achieved	
Facilitate RNFE business plan	60	9	3	11	6	10	3	12
Conduct Cooperative workshops with CFU	9	1	3	1	2	8	2	7
Linkages between RNFE and smallholders using NRM practices	120	1	0	-	-	23	-	0
Market assessments of NTAE products	5	1	4	5	5	5	-	9
Trade promotion events organized	12	1	1	3	7	4	-	8
Provide technical assistance to improve post-harvest handling	10	1	1	4	7	4	3	12
SWOT analysis of competing firms	12	1	1	4	1	4	-	2
Technical assistance provided to RNFES on utilization of diversified crops	150	1	1	4	51	30	-	52
Total No. Outputs	378	16	14	32	79	71	8	101

Source: ZATAC annual reports

It can be clearly seen that ZATAC is not doing well in achieving the set targets for this component. One reason could be the lack of capacity by ZATAC in carrying out market development and expansion. ZATAC can thus either strengthen its human resource by building a stronger and more focused “marketing team” or it can work together with its consultant, Mano, to improve its performance under market development and expansion. In this way, more agribusinesses can be introduced and encouraged to produce and supply larger markets.

2.7 Sustainability

2.7.1 ZATAC Sustainability Appraisal

One of the key determinants for the sustainability of ZATAC is that it has to bring in sufficient financial resources from the services it renders without relying on outside funding. Table 9 below shows ZATAC's credit portfolio at the end of its FY 3.

ZATAC has disbursed a total of \$375, 516.38 as at the end of its third financial year. Sixty-three percent of this loan disbursement was for the AGRIFLORA horticulture program. Over the same period, ZATAC has received \$54, 453.52 in form of principal repayments, interest and service charges. The ratio for this credit portfolio shows that for every \$1 that ZATAC has loaned out, it has received back 15 cents. The smallholders that have received the finance have certainly not been making sufficient returns on their investment to service their loans. This is especially so in the case of the AGRIFLORA program where the farmers are paying back 13 cents for every dollar they borrow. The farmers interviewed mentioned that they lose as much as 30% of the crop due to poor control of disease and pest attack. They also lost a further 20% when the crop is sorted and graded for quality. What this all translates

Table 9: Credit Portfolio Summary

TOTAL TRANSFERS			
ZATAC/USAID	\$316,154.00		
Japanese Embassy	\$100,000.00		
Total To Date:	\$416,154.00		
ZIF LOAN DISBURSEMENTS			
300	\$59,159.01		
400	\$249,018.51		
Total To Date:	\$308,177.52		
OTHER DONOR LOAN DISBURSEMENTS			
Japanese Embassy (500)	\$67,338.86		
Other			
Total To Date:	\$67,338.86		
**ZIF REFLOWS			
300-Activities	\$20,005.42		
400-Activities	\$33,900.29		
Other Reflows	\$547.81		
Total To Date:	\$ 54,453.52		
Grand Total LOAN DISBURSED =	\$54,453.52		
<u>ZIF REFLOWS BREAKDOWN:</u>			
** Total Principal Repayment =	\$17,046.43	ZIF	OTHER DONORS
ZATAC Interest & Service Fees =	\$8,755.30	\$391.41	TOTAL
		\$156.40	\$17,437.84
			\$8,911.70
Pangaea Interest =	\$4,103.70		\$4,103.70
Security Deposit Payments =	\$24,000.00		\$24,000.00
TOTAL ZIF REPAYMENTS =	\$53,905.43	\$547.81	\$54,453.24
<u>Transaction Costs:</u>			
	(386.79)		
Exchange Gain/Loss =	\$248.15		
Bank Charges	(\$634.94)		

Source: ZATAC Accounts Document

into is loss in income and the farmers therefore cannot fully pay the interest and principal on their loans. Sustainability of the loan facility is therefore threatened, as the farmers will not be paying back enough to keep the loan facility operational in the long run.

The amounts repaid to ZATAC are also low because a number of loans were only recently given out. This is especially so for the ZATAC projects like the Katuba coffee and paprika production (see appendix for Customer and Borrower list)

The non-AGRIFLORA ZIF related loan disbursement totaled \$59,159.01 and \$20,005.42 has been repaid. These non-AGRIFLORA ZIF loans have mostly been one time loans or trade finance for procurement of farming equipment like irrigation pumps or used to fund relatively smaller projects like the Kazungula milk collection center, Mongu cashew production, CLUSA-Chipata irrigation program and Shibuyunji project. Such smaller projects have repaid 34% of the loans compared to the 13% repayment by AGRIFLORA. It would make good business sense and ensure sustainability for the ZATAC loan facility to pursue funding of more such projects.

Although the majority of smallholders (40%) participating in the ZATAC program have been farmers their entire lives, they have been involved in subsistence farming with little or no business skills. This has resulted in ZATAC having to spend a lot more resources in training these farmers to grow high value crops and manage their businesses profitably. It will therefore take a few more years before the majority of these smallholders attain a level where they can run their business well and be able to service their loans.

Three quarters of the smallholders relied on income from selling their produce to ZATAC's commercial partners. Even when these farmers make incomes of about \$300 a year, this amount is a gross figure and when they factor in costs, their net income is reduced substantially. Only a handful (2%) of the farmers are able to service their loans fully and make a reasonable net income. These few farmers had a number of other income sources like poultry, growing potatoes and other more "liquid" ventures that bring in "quick cash". For ZATAC to have sustainable projects, its smallholder farmers have to diversify their businesses, like the farmer portrayed in the case study (See Box 1 below).

Box 1 Entrepreneurship Among the Local Farmers

Mr. Divecha is a 60-year-old retired farm manager and owns 20 acres of land in Lusaka west. He is the current Chairperson for the Buteko Cooperative. He is an ambitious and determined farmer who always tries out ways of improving productivity at his farm. He has been on the AGRIFLORA out grower scheme supported by ZATAC for the last two years. He grows mange tout, sugar snap, baby corn and fine beans on contract for AGRIFLORA.

He has however realized that the prices paid by AGRIFLORA are fixed and paid after a given period. This had affected his cash flows, as he could not meet his daily expenses because cash was tied up in the produce sold to AGRIFLORA. Mr. Divecha thus decided to improve and work on his other businesses that bring him ready cash. He has bought more cattle for his dairy business (he owns at least 100 heads of cattle with about 30 dairy animals). He also rears about 3,000 birds for his poultry business.

Mr. Divecha has also embarked on reducing production costs. His integrated, mixed farm provides him with manure from cattle and chickens. He uses this manure in his horticulture. He has managed to cut his chemical fertilizer bill by 75%. He also uses the maize stalks from the baby corn crop to feed his animals.

He has managed to pay off all loans on his farm and he is considering upgrading his current irrigation equipment.

Mr. Divecha says he has picked up most of these skills from interacting with fellow farmers, staff from MACO, attending seminars and workshops and also from his own creativity.

While it might not be possible for all the smallholders involved to attain Mr. Divecha's level of management, ZATAC can strive to encourage and work with its partners like AGRIFLORA to train farmers to work towards improving their productivity and incomes like Mr. Divecha. This should be a long-term goal for ZATAC if it is to become a sustainable Programme offering services to RNFEs and smallholders.

Another crucial factor in determining sustainability of ZATAC Limited is that it should be able to find more new partners and not ride on the success of the ZATAC project. The quicker it does this, the better for ZATAC as its clients will have confidence in that it can link them to the necessary partners.

From the foregoing, it can be noted that ZATAC's sustainability is not assured in the short term (next two to three years) primarily because it is not bringing in enough money to support all its activities. ZATAC will therefore continue to need donor funding until such a time that it can bring in sufficient returns to stand on its own. The major reason for its lack of sustainability at the moment is the poor debt servicing from the smallholders and insufficient funds from service charges from clients. The smallholders are not making enough money as they are currently learning new skills in their new businesses. Recommendations given at the end of this chapter are aimed at suggesting what ZATAC can do to increase its chances of sustainability.

3.0 Lessons Learned

The following are the main lessons learned so far in the implementation of the ZATAC project:

- Projects or intervention activities need to be mooted with a full consultation of the community that is being targeted for assistance. This will allow ownership by the communities so that sustainability after the project life span can be enhanced. Therefore, setting up enterprises that are demand driven and participatory in nature taking in account all socio-economic dimensions should become the main root of setting up new interventions.
- All members of the community and both genders should be considered as potential participants in ZATAC projects. In Zambia, the female gender is the most afflicted with deprivation of means of production like finances and equipment and yet they are the most reliable in returning what was borrowed. However, ZATAC has no deliberate policy on gender equity in its project implementation.
- When starting a project(s), it is important to put in place a very strong Monitoring and Evaluation System that can quickly detect the bottlenecks and be responsive to the changing needs. This will ensure that corrective measures are quickly put in place to avoid emergency measures that simply result in deterioration of the situation as was done with the Kazungula project where there was too much dependency on cooperating partners. Recent efforts by ZATAC to develop implementation and completion schedules for each project with specific targets and outputs to be used as benchmarks will be valuable in establishing an operational M&E system for the project.
- The setting-up of targets that will be used for measuring the success or failure of the programme to attain its objectives was a bit over ambitious. For instance, the capacity of the smallholders in the Kazungula Milk Project to fill up the 2,400 liters tank is questionable, now and in the short to medium term. A baseline study that was done before this project was implemented assumed this holding tank would serve as a catchment area for 3 to 4 other areas. This has not been realized yet. The farmers there have only been able to supply 190 liters of milk a day.
- The vegetable export project is critical in raising smallholder farmers' incomes quickly. The evaluation study found that the vegetable producers made \$396 per annum while the smallholders in the milk project raised \$288 per annum.
- A project that has a loan facility has a greater chance of being successful than one without, given the difficulties of accessing finance in Zambia. We learnt that ZATAC's success was mainly because of its loan facility.
- ZATAC has played a crucial role in deepening the understanding of the agribusiness concept in Zambia. Having come from a background of socialism, most smallholder farmers involved in the programme are now business oriented and they aim for a profit in their undertakings

4.0 Conclusion and Recommendations

Based on the study findings, the following and recommendations are proposed for consideration:

- The number of farmers involved in the ZATAC programme can be increased if ZATAC makes strategic linkages with developmental NGOs and private firms like PAM, ZNFU, ZAHVAC and LONRHO Cotton.
- ZATAC should expand its milk projects. The potential for increased milk production is very high. Milk collection centers can be established in sub-urban areas of Kabwe and in most Copperbelt towns. The increased milk production can also be targeted for export within the sub-region, especially the DRC.
- For ZATAC to have an impact on increased NTEs, it should form a strategic partnership and work closely with the Export Board of Zambia (EBZ). ZATAC cannot afford to work in a vacuum. The review mission noted that no such linkage existed between ZATAC and EBZ. EBZ is a crucial partner in exports issues in Zambia as they have conducted a lot of market analysis and baseline studies in products targeted for export.
- For the Kazungula project, it seems that CARE was a critical partner in terms of organizing the farmers and even implementing the project. Both ZATAC and USAID need to think carefully about how to fill the gap left by CARE. For example, in the Katuba project, when AGRIFLORA pulled out and they were quickly replaced by BIOPEST. ZATAC should similar look for a new partner in this case.
- USAID should continue supporting ZATAC up to its close in 2004. Beyond 2004, it is recommended that USAID carefully considers an extension because ZATAC limited, whereas it is a good start, will not have attained sustainability.
- ZATAC needs to continue funding smaller to medium sized projects as their repayment record is better and risk can be reduced if the portfolio is spread over more projects. The fund should be utilized fully as at the time of evaluation less than half of the monies were disbursed.
- ZATAC Ltd needs to be more aggressive in finding new partners. It should NOT ride on the success of the ZATAC project. As a Zambian institution, it should go flat out and engage local, regional and international partners to help agribusiness investment in Zambia and thereby assume its sustainability.
- It was noted that some of the portfolios ZATAC went into were weak in terms of generating income for ZATAC. These include cashew and dried tomato projects. It is recommended that ZATAC should carefully review its **engagement procedures** in future in order to safeguard its investments. For instance, given ZATAC's interest in honey production, it would be prudent to use ZATAC's new engagement procedures before initiating the honey project and other activities. ZATAC needs to first consolidate its current projects and programs before starting any new ventures.

- The treadle pump oriented investments are of high returns and it is proposed that ZATAC should assess other geographical areas to see where else these pumps can be used in production of crops for both local and export markets.
- ZATAC started off well on the lime initiative and so they need to go further to assist lime companies with issues of marketing by linking them with potential buyers.

ANNEXES

ANNEX 1

TERMS OF REFERENCE

Terms of Reference For The Mid-term Evaluation of the ZATAC Project

1.0 Purpose

USAID/Zambia would like to find out whether the Development Alternative Incorporated (DAI) implemented Zambia Agribusiness Technical Assistance Centre (ZATAC), established to provide business development services to agribusiness that work with smallholders has had or is having beneficial impact. If so, USAID/Zambia would like to identify the key elements of success of the Centre that can be replicated to improve ongoing or future investments. Finally, if ZATAC is not achieving the intended results, USAID/Z does Zambia would like to know how to reorient the operations of the Centre so that it does achieve the intended results.

2.0 Objective

The objective of this solicitation is to obtain Technical Consultancy service from a local contractor to comprehensively assess the ZATAC project and to produce a detailed report. The evaluation aims to obtain lessons learned that may be applicable to ZATAC's objectives of increasing rural incomes in order to positively influence ongoing or future activities of investments. The contractor is therefore required to include in the report a section on lessons learned and describing their implications across ZATAC's contractual objectives.

3.0 Background

In support of the Zambian economic liberalisation, USAID/Zambia has initiated and supported activities that stimulate rural economic growth since 1991. Under USAID/Zambia's Country Strategic Plan for the 1998 –2003, Strategic Objective 1 (SO1) aims to increase rural incomes of selected groups.

SO1 activities arise from rural family problem and opportunity identification. They are intended to encourage rural family contributions to solving their social or economic problems, enhance women's contribution to rural economic growth and encourage government food security and rural finance policies that promote private initiative.

During the June-July 2002 period, SO1's Zambia Agribusiness Technical Assistance Centre is earmarked for a mid term evaluation.

Following a USAID Request for Proposal (RFP), DAI concluded a Cost Plus Fixed Fee (CPFF) contract with USAID on August 23, 1999 to run the five-year ZATAC project. The project was authorised for \$6.0 million and was amended in April 2000 to reach a length of the project funding of \$6.6 million. The ZATAC project was planned to work with agribusiness to deliver the following results:

Increase in the number of farmers using productivity enhancing technologies from 25,000 to 145,000 (an increase of 120,000);

Increase RNFE member income from \$124 to \$271 per annum and;

Expand non-traditional exports (NTEs) from \$308 million to \$450 million annually. ZATAC was expected to achieve progress by providing high quality technical assistance structured through five service areas: Market and Demand Analysis, Market Development and Expansion, Skills Development and Information Dissemination, Linkages to finance and Policy advocacy.

DAI's goals were to:

Establish and manage ZATAC in Lusaka, Zambia, for an initial five-year life span.
Provide business development services to agribusiness that buy from or sell to smallholders.
Increase the number of and efficiency of Zambian agribusiness competing for smallholder production,
Assist in marketing that production profitably and competitively in domestic and international markets.
Provide a contemplating and co-ordinating capacity for the other on-going development and rural income activities supported by USAID and other donors.

4.0 Scope of Work

The evaluation will obtain quantitative evidence impact on rural incomes through provision of agribusiness development services. Quantitative evidence should be presented over time to illustrate any growth or reduction in investment impact during the project implementation. Where quantitative evidence is not there available or relevant, qualitative descriptions of impacts and process shall be provided.

The evaluation shall include assessment of the project and identification of ways to improve implementation and shall recommend to the Mission whether to extend or cut the project. The contractor shall package relevant findings so that systemic or national level impact from evaluation might be achieved with specific reference to the Zambian context.

Further, the ZATAC project experience may indicate how activities that deliver business development services to agribusiness and the benefits accruing from them can be increased. The contractor shall package relevant findings so that systemic or national level impact from evaluation lessons learned might be achieved with specific reference to Zambian context.

The Contractor shall evaluate the ZATAC project under the following themes:

Results and Implementation
Beneficiary Target and Gender
Sustainability
Partnerships
Policy
Training and Sector Reports
Lessons Learned and the Way Forward

ANNEX 2

LIST OF DOCUMENTS REVIEWED

Commonwealth Secretariat. (2001). ***Enhancing the Competitiveness of the Agri-food Processing Sub-sector***. Industrial Development Department, London, UK.

Government of the Republic of Zambia. (2001) ***Economic Report 2001***. Ministry of Finance and National Planning. Lusaka

Kazungula Cooperative Records

U.S. Agency for International Development (USAID)/Zambia Agribusiness Technical Assistance Center (ZATAC). (2001) ***Contract No. 690-C-00-99-00251-00***

Zambia Agribusiness Technical Assistance Center (ZATAC). (2000) ***Annual Work Plan for FY 2000, ZATAC/DAI***. Submitted to U.S. Agency for International Development (USAID). Lusaka, Zambia

Zambia Agribusiness Technical Assistance Center (ZATAC). (2000) ***Baseline Study***. Submitted to U.S. Agency for International Development (USAID). Lusaka, Zambia

Zambia Agribusiness Technical Assistance Center (ZATAC). (2001) ***Annual Work Plan for FY 2001***. Submitted to U.S. Agency for International Development (USAID). Lusaka, Zambia

Zambia Agribusiness Technical Assistance Center (ZATAC). ***Annual and Quaterly Reports. For FYs 1, 2 and 3***. Submitted to U.S. Agency for International Development (USAID). Lusaka, Zambia.

ANNEX 3 LIST OF PEOPLE INTERVIEWED

1. Mr Chris Muyunda	Cognizant Technical Officer-ZATAC	UASID
2. Ms Susan Gale	Private Sector Manager	USAID
3. Ms Bagie Sherchand	Chief of Party	ZATAC
4. Ms Elizabeth Mudenda	Chief Executive Officer	ZATAC
5. Mr Gulum Banda	Field manager	ZATAC
6. Mr Kellock Hazemba	Project accountant	ZATAC
7. Ms Prisca Chikwashi	Account Manager Horticulture	ZATAC
8. Ms Judith Mainga	Cashier	Kazungula
9. Mrs Maureen Mubanga	Veterinary Assistant	Kazungula
10. Dr Christina Chisembele	District Veterinary Officer	Livingstone/Kazungula
11. Mr Costa Chambwa		Kazungula
12. Mr Bernard Chali		Kazungula
13. Mr Davison Milimo		Kazungula
14. Mr Alfred Mulele	Interim Chairman Kazungula Coop	Kazungula
15. Mr Kanatu Mukamba		Kazungula
16. Mr Mwanangombe Mulele		Kazungula
17. Mr Siatontola Mbolola		Kazungula
18. Mr L Siatumbula		Kazungula
19. Mr Brighton Mwampole		Kazungula
20. Mr Samwinga Heimer		Kazungula
21. Mr D Kamwi		Kazungula
22. Mr N Sianga		Kazungula
23. Steven Bumba		Kazungula
24. Mr Mukubi		Kazungula
25. Mr Zambwe Mbuje		Kazungula
26. Mr Ignitius Milimo		Kazungula
27. Mr Paul Chilupula		Kazungula
28. Mr Godfrey Mweemba		Kazungula
29. Mr G C Muleya		Buteko
30. Mr Alex Kafwata		Buteko
31. Ms Mary Kafwimbi		Buteko
32. Mrs A Banda Kaseya		Buteko
33. Mrs E H Munzele		Buteko
34. Mr John B Mubanga		Buteko
35. Mr A K Muleya		Buteko
36. Mr Rugnath Divecha		Buteko
37. Mr Andrew Mwanza		Katuba
38. Ms Mavis Zulu		Katuba
39. Mr Ntumba		Katuba
40. Mr Robert Mwanza		Katuba
41. Mr Shadreck Sakala		Katuba
42. Mr Shadreck Phiri		Katuba
43. Mr Noah Phiri		Katuba
44. Mr John January Mbewe		Katuba

ANNEX 4
ZATAC REFLOW TRACKING FORM: OCTOBER 2000 TO JULY 2002

Project Name	Security Deposit	Principal	Interest	Service Fee/ Income	Subtotal	Bank Charges	Bank Interest	Exchange Gain/Loss	Total
Agriflora	24000	1760.42	6697.42	1442.22	33900.29				34148.44
Namboma		477	780.1	119.25	1376.35				1376.35
Chankwakwa		343.5	96.89	44.6	484.99				484.99
Shibuyunji		3185	296.54	43.76	3525.3				3525.3
Eureka				56.4	56.4				56.4
Sheni		1299		331	1630				1630
GoodFellow		240		60	300				300
NRI				944	944				944
						25			-25
Katuba Coop			138.6		138.6				138.6
CLUSA-Chipata		2517.28		629.32	3146.6				3146.6
USAID-Madagascar		627.46		156.87	784.33				784.33
Tim Durgan		9.3		2.32	11.62				11.62
Kazungula Coop		391.41		156.4	547.81				547.81
Castor Company		6587.46	197.62	822.15	7607.23				7607.23
Total	24000	17437.83	8307.4	4808.29	54453.52	25		248.15	54676.67

ANNEX 5
ZATAC FISCAL REPORT AS AT JULY 9TH 2002

Category	Budget Amount	Cumulative Amount	Current Period	Cumulative Amount	Remaining Amount	Percent of Budget Expended
CLIN 1						%
LTTA/CORE(100)	3348910	2232649	41764.12	2274413	1074497	67.92%
SUBCONTRACTS(200)	2227366	1267079	18007.06	1285087	942279.5	56.7
SPECAIL FINANCE VHCL (300)	250000	26910.15	1344.56	28254.71	221749.5	11.3
SPV MOD3 ZIF	600000	251519.1	18655.44	270174.5	329825.5	45.03
PRJCT CONTRIBUTIONS (501)	-100000	0	0	0	-100000	0
CLIN2						
FEE (100)	201269	129188.6	2510.04	131698.6	69570.36	65.43
FEE(200)	66598	37885.61	538.41	38424.02	28173.98	57.43
FEE(300)	4975	5540.74	398	5938.74	-963.74	119.37
TOTAL	6599118	3950772	83217.63	4033990	2565128	61.13
FUNDED AMOUNT		4987258				
%OF FUNDING SPENT		80.89%				

ANNEX 6
CUSTOMER & BORROWER LIST AS AT 31ST JULY 2002

Customer & Borrower List As At 31 st July 2002						
No.	Customer Name	Customer Code	Sub. No./ Borrower Code	Loan Amount	Principal Paid	Debts Outstanding
1	AgriFlora	100				
		<i>Lilayi</i>	01	\$15,142.44	\$228.77	\$14,913.67
		<i>Kumboshi</i>	02	\$22,247.21	\$9.84	\$22,237.37
		<i>Leobex</i>	03	\$57,348.11	\$65.10	\$57,283.01
		<i>Chamba Valley</i>	04	\$23,543.92	\$164.28	\$23,379.64
		<i>Lusaka</i>	05	\$37,322.14	\$38.53	\$37,283.61
		<i>Buteko</i>	06	\$35,514.31	\$6.87	\$35,507.44
		<i>Makeni</i>	07	\$31,877.35	\$1,000.00	\$30,877.35
		<i>Katuba</i>	08	\$7,428.00	\$0.00	\$7,428.00
		<i>Nyemba</i>	09	\$18,595.03	\$247.03	\$18,348.00
				\$249,018.51	\$1,760.42	
2	CLUSA-LUSAKA	200				
		<i>Chankwakwa</i>	01	\$3,386.61	\$343.50	\$3,043.11
		<i>Shibuyunji</i>	02	\$3,185.00	\$3,185.00	\$0.00
3	SHENI Agrienterprise	300	00	\$108.87	\$108.87	\$0.00
4	CLUSA-CHIPATA	400	00	\$108.87	\$108.87	\$0.00
5	JAPANESE GRANT	500				
		<i>Kazungula</i>	01	\$43,714.56	\$391.41	\$43,323.15
		<i>Makunka</i>	02	\$23,624.30	\$0.00	\$23,624.30
6	NAMBOMA	600	00	\$6,000.00	\$0.00	\$6,000.00
						\$0.00
7	CASTOR (Z)Ltd	700	00	\$17,444.66	\$6,587.46	\$10,857.20
8	ZATAC Project	800				
		Katuba	1	\$120.00	\$0.00	\$120.00
		Katuba Treadle		\$15,309.28	\$0.00	\$15,309.28
		Treadle Repossed		\$5,319.00	\$0.00	\$5,319.00
9		Treadle		\$4,045.00	\$3,607.84	\$437.16
		Cashew		\$3,201.79	\$1,344.46	\$1,857.33
		Piddle		\$391.05	\$0.00	\$391.05
		Coffee Seeds		\$100.00	\$0.00	\$100.00
		Refurbishments		\$257.99	\$0.00	\$257.99
		Pipes		\$182.41	\$0.00	\$182.41
				\$375,517.90	\$17,437.83	\$358,080.07